

City of Brown City

Sanilac County, Michigan

**Audited Financial Report
March 31, 2005**

Lehn L. King

**Certified Public Accountant
Marlette, Michigan**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

RECEIVED
DEPT. OF TREASURY

AUG 19 2005

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Brown City	LOCAL AUDIT & FINANCE DIV.	County Sanilac
Audit Date 5/31/05	Opinion Date 6/1/05	Date Accountant Report Submitted to State: 8/18/05		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

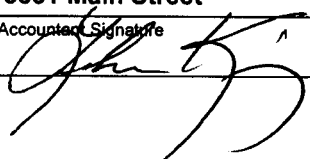
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.			
Street Address 3531 Main Street	City Marlette	State MI	ZIP 48453
Accountant Signature 		Date 7/12/05	

City of Brown City
Annual Financial Report
For The Year Ended March 31, 2005

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LEHN L. KING

Certified Public Accountant

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To The Honorable Mayor and
Members of the City Council
City of Brown City
Sanilac County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Brown City, Michigan as of and for the year ended March 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Brown City, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Brown City, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brown City, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

Lehn King

Lehn L. King
Certified Public Accountant

June 1, 2005

City of Brown City
Management's Discussion & Analysis Letter
For The Fiscal Year Ended March 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS:

Our discussion and analysis of the City of Brown City's financial performance provides an overview of the City's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the City's financial statements.

Financial Highlights

The City of Brown City ended the 2004-2005 fiscal year in relatively good financial condition. The City Council made some difficult decisions concerning the allocation of scarce financial resources, such as the purchase of industrial land in the Renaissance Zone, which will ultimately have significant long-term benefits for our community and residents. Another significant investment was completing the construction of a building adjacent to Well #4 to house the arsenic abatement facility provided by the Environmental Protection Agency. The City's cost for the building was a fraction of the \$268,000 price tag associated with the equipment and installation. Additional capital improvements for FY 2004-2005 included the continuation of the Brown City sidewalk program and a replacement police car and Department Of Public Works truck. There was no street enhancement program in 2004 in order to allow funds from sources such as the Sanilac County Road Millage and Act 51 money to accumulate to achieve the economies of scale associated with larger projects. The marginal increase in governmental operating costs reflected much higher than expected legal fees, as well as increased costs for materials and the operation of equipment. While overall City government has been fiscally conservative, the decrease in City reserves over the past two years, from \$502,218 to \$340,435, or 47.5%, indicates the need to carefully monitor future spending.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 implements a new model of financial reporting for state and local governments. Specifically included for the first time is noncurrent assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This additional information has been added to the City's financial statement in the belief that it will provide a more focused picture of the City's fiscal health.

The City as a Whole

The following table shows in a condensed format, the net assets as of the current date and compared to the prior year's net assets. Comparative data is not available for assets and liabilities due to the change in accounting formats for the fiscal year ending March 31, 2005 (see note one in the notes to the financial statements).

City of Brown City

Management's Discussion & Analysis Letter

For The Fiscal Year Ended March 31, 2005

	Governmental Activities		Business-Type Activities		Total	
	3/31/2005	3/31/2004	3/31/2005	3/31/2004	3/31/2005	3/31/2004
Current Assets	\$ 897,417	\$	\$ 393,536	\$	\$ 1,290,953	\$
Noncurrent Assets	1,225,020		977,293		2,202,313	
Total Assets	2,122,437		1,370,829		3,493,266	
Current Liabilities	33,560		20,000		53,560	
Noncurrent Liabilities	72,212		120,000		192,212	
Total Liabilities	105,772		140,000		245,772	
Net Assets:						
Invested in Capital Assets -						
Net of Related Debt	1,138,990		837,293		1,976,283	
Restricted	6,001		0		6,001	
Unrestricted	871,675		393,536		1,265,211	
Total Net Assets	\$ 2,016,666	\$ 2,011,646	\$ 1,230,829	\$ 1,229,168	\$ 3,247,495	\$ 3,240,814

The City's combined net assets increased 0.20% from \$3,240,814 to \$3,247,494. As we look at the governmental activities separately from the business type (water & sewer) we can see that the governmental activities experienced an increase of approximately \$5,000 during the year (a 0.25% increase). The business-type activities (water & sewer) experienced a \$1,661 increase in net assets. The assets of the City remained constant from one year to the next.

The following table shows the changes of the net assets during the current year:

	Governmental Activities	Business-Type Activities	Total 2004-2005
Revenues			
Program Revenues:			
Charges for Services	\$ 159,906	\$ 226,047	\$ 385,953
Operating Grants & Cont's	105,071	10,118	115,189
Capital Grants & Cont's	134,783	0	134,783
General Revenues:			0
Property Taxes	401,307	0	401,307
State-Shared Revenues	162,294	0	162,294
Interest	17,882	6,403	24,285
Other Revenues	(26,099)	0	(26,099)
Transfers	(19,695)	21,727	2,032
Total Revenues	935,449	264,295	1,199,744
Program Expenses			
General Government	\$ 484,255	\$ 0	\$ 484,255
Public Safety	203,938	0	203,938
Public Works	211,531	0	211,531
Recreation & Culture	30,706	0	30,706
Interest on Long-Term Debt	0	5,360	5,360
Water & Sewer	0	257,274	257,274
Total Program Expenses	930,430	262,634	1,193,064

City of Brown City

Management's Discussion & Analysis Letter

For The Fiscal Year Ended March 31, 2005

Economic Factors and Next Year's Budget and Rates

Of the greatest concern is identifying the means and funding associated with meeting the federal mandate for maximum contaminate level of arsenic in the drinking water produced by Well #3. The City of Brown City is working with the Michigan Department of Environmental Quality to receive an extension beyond the January 23, 2006 deadline. However, significant and expensive progress toward the federal goal is required during this fiscal year. Another potentially significant impact on the 2005/2006 Budget are wage and benefit changes associated with the Department of Public Works electing to join the International Union of Operating Engineers Local 324. City government is working hard to keep costs as low as possible, but some things, such as fuel process, are beyond local control.

In addition to dramatic one-time and continuing expenses associated with the operation of the City of Brown City, such as those mentioned above, a reduction in anticipated revenues is also of some concern. The weak economic expansion in Michigan combined with heavy dependence on the automotive industry by local manufacturing businesses means a potential decrease in Intergovernmental Revenue, possibly to 2005 levels. The soft market for new construction housing in the City precludes increases in anticipated property taxes.

The City will continue to closely monitor overtime and capital and operational purchasing, and reduce spending wherever possible..

The City of Brown City's 2005/2006 adopted budget is as follows:

	General Fund	
	March 31,	
	2006	2005
Revenue		
Property Taxes	371,100	351,100
Intergovernmental Revenue	162,000	133,000
Charges for Services	56,400	54,100
Grant Proceeds	-	117,500
Loan Proceeds	-	70,000
Other	216,980	139,575
Total Revenue Collected	806,480	865,275
Expenditures		
General Government	344,130	322,940
Public Safety - Police	175,650	166,400
Public Safety - Fire	28,550	25,200
Public Works	75,940	83,290
Other Functions	127,510	92,350
Capital Outlay	-	225,500
Debt Service	-	-
Transfers	54,700	30,300
Total Expenditures	806,480	945,980
Net Over/Under Budget	\$ -	\$ (80,705)

City of Brown City
Management's Discussion & Analysis Letter
For The Fiscal Year Ended March 31, 2005

Contacting the City

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact City Hall, 4205 Main Street, Post Office Box 99, Brown City, Michigan 48416, or by telephone at (810) 346-2325, or fax at (810) 346-3802.

Respectfully,

Clint Holmes
City Manager

City of Brown City
Statement of Net Assets (Deficit)
March 31, 2005

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 65,052.29	\$ 40,332.38	\$ 105,384.67
Accounts Receivable	48,398.42	3,806.49	52,204.91
Due From Other Governmental Units	2,713.87	11,963.21	14,677.08
Due From Other Funds	781,253.39	337,433.59	1,118,686.98
Capital Assets			
Nondepreciable Capital Assets	139,971.00	25,856.74	165,827.74
Depreciable Capital Assets	<u>1,085,048.26</u>	<u>951,436.17</u>	<u>2,036,484.43</u>
 Total Assets	 2,122,437.23	 1,370,828.58	 3,493,265.81
<u>Liabilities</u>			
Accounts Payable	19,741.88	-	19,741.88
Current Portion of Long-Term Debt	13,819.00	20,000.00	33,819.00
Noncurrent Liabilities:			
Long-Term Debt	<u>72,210.75</u>	<u>120,000.00</u>	<u>192,210.75</u>
 Total Liabilities	 <u>105,771.63</u>	 <u>140,000.00</u>	 <u>245,771.63</u>
Net Assets (Deficit)			
Invested in Capital Assets - Net of Related Debt	1,138,989.51	837,292.91	1,976,282.42
Restricted for Cemetery Equipment	6,000.98	-	6,000.98
Unrestricted	<u>871,675.11</u>	<u>393,535.67</u>	<u>1,265,210.78</u>
 Total Net Assets (Deficit)	 <u>\$ 2,016,665.60</u>	 <u>\$ 1,230,828.58</u>	 <u>\$ 3,247,494.18</u>

The notes are an integral part of the statements.

City of Brown City
Statement of Activities
For the Year Ended March 31, 2005

Functions/Programs	Net (Expense) Revenue & Changes in Net Assets			
	Primary Government			Totals
	Governmental Activities	Business-type Activities		
Primary Government:				
Governmental Activities:				
General Government	\$ 484,254.68	\$ 115,591.99	\$ -	\$ (368,662.69)
Public Safety	203,938.10	683.08	-	(203,255.02)
Public Works	211,531.27	42,631.24	105,071.12	70,953.84
Recreation & Culture	30,706.22	1,000.00	-	(29,706.22)
Interest on Long-Term Debt	-	-	-	-
Total Governmental Activities	930,430.27	159,906.31	105,071.12	(530,670.09)
Business-type Activities	257,274.12	226,046.89	10,117.81	(21,109.42)
Interest on Long-Term Debt	5,360.00	-	-	(5,360.00)
Total Primary Government	\$ 1,193,064.39	\$ 385,953.20	\$ 115,188.93	\$ (557,139.51)
General Revenues:				
Property Taxes				\$ 401,307.25
State Shared Revenues				162,294.00
Interest Earnings				17,881.88
Realized Gain (Loss) on Sale of Land				(84,898.00)
Other Revenues				58,799.02
Transfers				(19,694.54)
Total General Revenues, Special Items & Transfers				535,689.61
Change in Net Assets				5,019.52
Net Assets (Deficit) - Beginning of Year				2,011,646.08
Net Assets (Deficit) - End of Year				2,016,665.60

The notes are an integral part of the statements.

City of Brown City

Governmental Funds

Balance Sheet

March 31, 2005

Assets

	General Fund	Major Street Fund	Local Street Fund	Police Forfeiture Fund	Cemetery Operating Fund	Downtown Development Authority	Parks & Recreation Fund	Water Recreation Fund	Total Governmental Funds
Cash & Certificates of Deposit	\$ 2,304.91	\$ 39.40	\$ 88.81	\$ 390.38	\$ 35,863.87	\$ 22,131.70	\$ 4,223.20	\$ -	\$ 65,042.27
Accounts Receivable	4,018.00	-	-	-	750.00	-	-	-	4,768.00
Property Taxes Receivable	41,013.15	-	-	-	-	-	2,617.27	-	43,630.42
Due From Others	2,713.87	-	-	-	-	-	-	-	2,713.87
Due From Other Funds	608,017.25	54,155.23	65,985.59	-	6,068.06	-	37,898.96	-	772,125.09
Total Assets	\$ 658,067.18	\$ 54,194.63	\$ 66,074.40	\$ 390.38	\$ 42,681.93	\$ 22,131.70	\$ 44,739.43	\$ -	\$ 888,279.65

Liabilities & Fund Equity

Liabilities

Accounts Payable	\$ 19,741.88	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,741.88
Due To Other Funds	-	-	-	-	-	-	-	-	-
Total Liabilities	19,741.88	-	-	-	-	-	-	-	19,741.88

Fund Equity

Fund Balances

- Reserved for Police Car	327.00	-	-	-	-	-	-	-	327.00
- Reserved for Unemployment Comp.	8,996.00	-	-	-	-	-	-	-	8,996.00
- Reserved for Streets	35,275.00	-	-	-	-	-	-	-	35,275.00
- Reserved for Cable Equipment	26,296.00	-	-	-	-	-	-	-	26,296.00
- Reserved for County Rd Millage	200,919.00	-	-	-	-	-	-	-	200,919.00
- Reserved for Sidewalks	26,077.00	-	-	-	-	-	-	-	26,077.00
- Designated for Cemetery Equipment	-	-	-	-	6,000.98	-	-	-	6,000.98
- Unreserved & Undesignated	340,435.30	54,194.63	66,074.40	390.38	36,680.95	22,131.70	44,739.43	-	564,646.79
Total Fund Balances	638,325.30	54,194.63	66,074.40	390.38	42,681.93	22,131.70	44,739.43	-	868,537.77
Total Liabilities & Fund Equity	\$ 658,067.18	\$ 54,194.63	\$ 66,074.40	\$ 390.38	\$ 42,681.93	\$ 22,131.70	\$ 44,739.43	\$ -	\$ 888,279.65

The notes are an integral part of the statements.

City of Brown City
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended March 31, 2005

Total Fund Balances for Governmental Funds & Equipment Fund	\$ 968,672.69
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Amounts reported for Governmental Activities in the Statement of
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	1,134,022.66
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Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds	(86,029.75)
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Accrued Interest Payable is not reported in the Funds	<u>-</u>
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Net Assets of Governmental Activities	<u><u>\$ 2,016,665.60</u></u>
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The notes are an integral part of the statements.

City of Brown City
Governmental Funds
Statement of Revenues, Expenditures, And Changes
in Fund Balances
For The Year Ended March 31, 2005

	General Fund	Major Street Fund	Local Street Fund	Police Forfeiture Fund	Cemetery Operating Fund	Downtown Development Authority	Park & Recreation Fund	Water Recreation Fund	Total Governmental Funds
Revenues									
Property Taxes	\$ 377,066.63	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,240.62	\$ -	\$ 401,307.25
State Shared Revenue	162,294.00	78,778.05	26,293.07	-	-	-	-	-	267,365.12
Charges for Services	53,959.80	-	-	-	10,175.00	-	-	-	64,134.80
Licenses & Permits	1,225.95	-	-	-	-	-	-	-	1,225.95
Interest Earnings	11,241.04	1,122.77	1,206.94	-	910.04	2,649.13	643.71	-	17,773.63
Grant Proceeds	134,782.75	-	-	-	-	-	-	-	134,782.75
Loan Proceeds	94,650.61	-	-	-	-	-	-	-	94,650.61
Rental Income & Franchise Fees	48,296.04	-	-	-	-	-	1,000.00	-	49,296.04
Other Revenues	47,019.96	-	4,190.64	2.00	157.00	-	7,429.42	-	58,799.02
Total Revenues	930,536.78	79,900.82	31,690.65	2.00	11,242.04	2,649.13	33,313.75	-	1,089,335.17
Expenditures									
General Government	314,229.98	-	-	-	11,123.55	-	-	-	325,353.53
Public Safety	196,741.10	-	-	-	-	-	-	-	196,741.10
Publics Works	98,773.08	50,386.68	39,072.51	-	-	50.00	-	-	188,282.27
Recreation & Culture	-	-	-	-	-	-	30,706.22	-	30,706.22
Other Functions	83,109.95	-	-	-	-	-	-	-	83,109.95
Capital Outlay	226,560.66	-	-	-	-	-	-	-	226,560.66
Debt Service - Principal	8,620.86	-	-	-	-	-	-	-	8,620.86
Total Expenditures	928,035.63	50,386.68	39,072.51	-	11,123.55	50.00	30,706.22	-	1,059,374.59
Excess of Revenues Over (Under) Expenditures	2,501.15	29,514.14	(7,381.86)	2.00	118.49	2,599.13	2,607.53	-	29,960.58
Other Financing Sources (Uses)									
Operating Transfers In (Out)	(29,727.00)	(12,600.00)	12,600.00	-	2,032.46	-	(1,694.01)	1,694.01	(27,694.54)
Net Change in Fund Balances	(27,225.85)	16,914.14	5,218.14	2.00	2,150.95	2,599.13	913.52	1,694.01	2,266.04
Fund Balances - Beginning of Year	665,551.15	37,280.49	60,856.26	388.38	40,530.98	19,532.57	43,825.91	(1,694.01)	866,271.73
Fund Balances - End of Year	\$ 638,325.30	\$ 54,194.63	\$ 66,074.40	\$ 390.38	\$ 42,681.93	\$ 22,131.70	\$ 44,739.43	\$ -	\$ 758,984.71

The notes are an integral part of the statements.

City of Brown City
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds & Equipment Fund \$ (14,011.39)

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;
in the Statement of Activities, these costs are capitalized and
allocated over their estimated useful lives as Depreciation 226,560.66

Repayment of Bond Principal is an Expenditure in the Governmental
Funds, but not in the Statement of Activities (where it
reduces Long-Term Debt) 8,620.86

Realized Gain (Loss) on Sale of Capital Assets not accounted for in the
Governmental Funds (84,898.00)

Loan Proceeds are recognized as revenue in the Governmental Funds,
but not in the Statement of Activities (94,650.61)

Depreciation is an Expenditure for the Statement of
Activities, but is not reported in the Governmental Funds (36,602.00)

Net Assets of Governmental Activities \$ 5,019.52

The notes are an integral part of the statements.

City of Brown City
Statement of Net Assets (Deficit)
Proprietary Funds
March 31, 2005

	<u>Enterprise Funds</u>		<u>Total</u>	<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>	<u>Enterprise</u>	<u>Service</u>
<u>Assets</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>
				<u>Equipment</u>
<u>Current Assets</u>				
Cash & Cash Equivalents	\$ 40,091.85	\$ 240.53	\$ 40,332.38	\$ 10.02
Accounts Receivable	276.95	3,529.54	3,806.49	-
Due From Other Governmental Units	-	11,963.21	11,963.21	-
Due From Other Funds	246,029.73	91,403.86	337,433.59	9,128.30
<u>Total Current Assets</u>	286,398.53	107,137.14	393,535.67	9,138.32
<u>Noncurrent Assets</u>				
Capital Assets not being Depreciated	20,000.00	5,856.74	25,856.74	-
Capital Assets being Depreciated	793,118.74	1,377,751.77	2,170,870.51	323,687.60
Less: Accumulated Depreciation	(410,756.50)	(808,677.84)	(1,219,434.34)	(232,691.00)
<u>Total Noncurrent Assets</u>	402,362.24	574,930.67	977,292.91	90,996.60
Total Assets	688,760.77	682,067.81	1,370,828.58	100,134.92
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Current Portion of Long-Term Debt	-	20,000.00	20,000.00	-
Total Current Liabilities	-	20,000.00	20,000.00	-
<u>Long-Term Liabilities</u>				
Bonds Payable	-	120,000.00	120,000.00	-
Total Liabilities	-	140,000.00	140,000.00	-
<u>Net Assets</u>				
Invested in Capital Assets Net of Related Debt	402,362.24	434,930.67	837,292.91	90,996.60
Unrestricted	286,398.53	107,137.14	393,535.67	9,138.32
<u>Total Net Assets</u>	<u>\$ 688,760.77</u>	<u>\$ 542,067.81</u>	<u>\$ 1,230,828.58</u>	<u>\$ 100,134.92</u>

City of Brown City
Statement of Revenues, Expenses, And Changes in Net Assets
Proprietary Funds
March 31, 2005

	<u>Enterprise Funds</u>		<u>Total</u>	<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>	<u>Enterprise</u>	<u>Service</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>
				<u>Equipment</u>
<u>Operating Revenues</u>				
User Charges & Penalties	\$ 85,579.44	\$ 125,317.13	\$ 210,896.57	\$ -
Service Connection Charges	8,700.16	6,450.16	15,150.32	-
Equipment Rental	-	-	-	45,249.52
	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,249.52</u>
<u>Total Operating Revenues</u>	<u>94,279.60</u>	<u>131,767.29</u>	<u>226,046.89</u>	<u>45,249.52</u>
<u>Operating Expenses</u>				
Operation & Maintenance	68,208.38	94,792.26	163,000.64	32,690.07
General & Administration	15,371.00	18,797.48	34,168.48	15,078.13
Depreciation	19,683.00	40,422.00	60,105.00	21,867.00
	<u>19,683.00</u>	<u>40,422.00</u>	<u>60,105.00</u>	<u>21,867.00</u>
<u>Total Operating Expenses</u>	<u>103,262.38</u>	<u>154,011.74</u>	<u>257,274.12</u>	<u>69,635.20</u>
<u>Operating Income (Loss)</u>	(8,982.78)	(22,244.45)	(31,227.23)	(24,385.68)
<u>Nonoperating Revenues (Expenses)</u>				
Interest Earnings	4,406.74	1,996.31	6,403.05	108.25
Interest Expense	-	(5,360.00)	(5,360.00)	-
Capital Contribution	-	10,117.81	10,117.81	-
Transfers From (To) Other Funds	(4,000.00)	25,727.00	21,727.00	8,000.00
	<u>(4,000.00)</u>	<u>25,727.00</u>	<u>21,727.00</u>	<u>8,000.00</u>
Change in Net Assets	(8,576.04)	10,236.67	1,660.63	(16,277.43)
<u>Net Assets - Beginning of Year</u>	<u>697,336.81</u>	<u>531,831.14</u>	<u>1,229,167.95</u>	<u>116,412.35</u>
<u>Net Assets - End of Year</u>	<u>\$ 688,760.77</u>	<u>\$ 542,067.81</u>	<u>\$ 1,230,828.58</u>	<u>\$ 100,134.92</u>

City of Brown City
Statement of Cash Flows
Proprietary Funds
For The Year Ended March 31, 2005

	Enterprise Funds		Total	Internal
	Sewer	Water	Enterprise	Service
	Fund	Fund	Funds	Fund
				Equipment
<u>Cash Flow From Operating Activities</u>				
Receipts from Customers	\$ 94,171.47	\$ 128,083.28	\$ 222,254.75	\$ 45,249.52
Payments for Operation & Maintenance	(69,370.17)	(106,162.85)	(175,533.02)	(32,690.07)
Payments for General & Administration	(15,371.00)	(18,797.48)	(34,168.48)	(15,078.13)
<u>Net Cash Provided by Operating Activity</u>	9,430.30	3,122.95	12,553.25	(2,518.68)
<u>Cash Flows from Noncapital Financing Activities</u>				
Operating Transfers In (Out)	(4,000.00)	25,727.00	21,727.00	8,000.00
Received "Due From Other Funds"	(22,480.57)	(6,509.23)	(28,989.80)	6,483.45
<u>Net Cash Provided by Noncapital Financing Activities</u>	(26,480.57)	19,217.77	(7,262.80)	14,483.45
<u>Cash Flows from Capital & Related Financing Activities</u>				
Interest Expense	-	(5,360.00)	(5,360.00)	-
Receipt of Capital Contributions	-	10,117.81	10,117.81	-
Purchase of Capital Assets	-	(18,151.26)	(18,151.26)	(12,063.00)
Principal Payment on Bonds Payable	-	(20,000.00)	(20,000.00)	-
<u>Net Cash Provided by Capital & Related Financing Activities</u>	-	(33,393.45)	(33,393.45)	(12,063.00)
<u>Cash Flows From Investing Activities</u>				
Interest received on Investments	4,406.74	1,996.31	6,403.05	108.25
<u>Net Increase (Decrease) in Cash & Cash Equivalents</u>	(12,643.53)	(9,056.42)	(21,699.95)	10.02
<u>Cash & Cash Equivalents - Beginning of Year</u>	52,735.38	9,296.95	62,032.33	-
<u>Cash & Cash Equivalents - End of Year</u>	\$ 40,091.85	\$ 240.53	\$ 40,332.38	\$ 10.02
<u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</u>				
Operating Income (Loss)	(8,982.78)	(22,244.45)	(31,227.23)	(24,385.68)
Adjustments to Reconcile Operating Income (Loss) from Operating Activities:				
Depreciation	19,683.00	40,422.00	60,105.00	21,867.00
Changes in Assets & Liabilities:				
Receivables	(108.13)	(3,684.01)	(3,792.14)	-
Accounts Payable	(1,161.79)	(11,370.59)	(12,532.38)	-
<u>Net Cash Provided by Operating Activities</u>	\$ 9,430.30	\$ 3,122.95	\$ 12,553.25	\$ (2,518.68)

City of Brown City
Statement of Net Assets (Deficit)
Fiduciary Funds
March 31, 2005

<u>Assets</u>	<u>Pension & Other Trust Funds</u>	<u>Agency Fund</u>
Cash & Certificate of Deposit	\$ 90,233.02	\$ 1,118,553.05
Due From Other Funds	-	-
<u>Total Assets</u>	90,233.02	<u>\$ 1,118,553.05</u>
 <u>Liabilities</u>		
Due To Other Funds	-	\$ 1,118,553.05
Due To Other Governmental Agencies	-	-
<u>Total Liabilities</u>	-	<u>\$ 1,118,553.05</u>
 <u>Net Assets</u>		
Held in Trust for Cemetery Perpetual Care	90,233.02	
Unreserved - Undesignated	-	
<u>Total Net Assets</u>	<u>\$ 90,233.02</u>	

The notes are an integral part of the statements.

City of Brown City
Statement of Changes in Net Assets
Fiduciary Funds
March 31, 2005

	Pension & Other Trust Funds
<u>Additions</u>	
Interest Income - Perpetual Care	\$ 2,032.46
Sale of Lots - Perpetual Care	<u>2,175.00</u>
<u>Total Additions</u>	<u>4,207.46</u>
<u>Deductions</u>	
Contribution To (From) Other Funds	<u>2,032.46</u>
<u>Total Deductions</u>	<u>2,032.46</u>
<u>Net Increase</u>	2,175.00
<u>Net Assets - Beginning of Year</u>	<u>88,058.02</u>
<u>Net Assets - End of Year</u>	<u><u>\$ 90,233.02</u></u>

The notes are an integral part of the statements.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2005

The accounting methods and procedures adopted by the City of Brown City, Sanilac County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City's Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Brown City was incorporated as a 4th Class City in 1907. The City has operated since 1973 under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, recreation, public improvements, planning and zoning and general administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Brown City (the primary government) and its component units. The component units discussed below are included in the City reporting entity because of the significance of their operational or financial relationships with the City.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or discretely presented component units.

Blended Component Units - The Downtown Development Authority (DDA) of the City of Brown City, an entity legally separate from the City, is governed by a nine-member board appointed by the City Council. For financial reporting purposes, the DDA is reported as if it were part of the City's operations because its purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the City (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through State-shared gas and weight taxes.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2005

Local Street Fund – The Local Streets Fund accounts for maintenance and improvement activities for streets designated as “local” within the City. Funding is provided primarily through State-shared gas and weight taxes.

Police Forfeiture Fund - The fund accounts for the money collected on forfeitures.

Cemetery Operating Fund - This fund accounts for the lot sales, grave openings and general maintenance of the cemetery. Funding is provided primarily through grave openings and interest earnings from the Cemetery Perpetual Care Fund.

Downtown Development Authority Fund (a Special Revenue Fund type) – The Downtown Development Authority’s purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

Park Fund - This fund accounts for the general maintenance of the City Park. Funding is provided primarily through a millage and donations.

Water Recreation Fund - This fund accounted for the Water Recreation Park, but it has been closed and will no longer be active.

The City reports the following major Enterprise Funds & Internal Service Fund:

Water Fund - The Water Fund accounts for the activities of the water distribution system. Funding is provided primarily through user charges.

Sewer Fund - The Sewer Fund accounts for the activities of the sewage disposal system. Funding is provided primarily through user charges.

Equipment Fund (Internal Service Fund) – This fund was established to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Additionally, the City reports the following fund types:

Agency & Other Trust Funds - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2005

Cash - The City does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the City to hold such investments until they mature.

Due to and Due from Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, and other Compensated Absences - Vacation days are earned by employees at a rate from 4 to 15 days per year with unused days at year-end being forfeited.

Sick days are earned by employees at a rate of one day per month during the year. A maximum of 36 unused sick days may be accumulated by an employee. No provision has been made for accumulated sick pay liability since the amount is immaterial to the financial statements taken as a whole.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Inventories and supplies held by the Water Fund and the Sewer Fund, which are immaterial in amount, have not been recognized. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	30 to 50 years
Water & Sewer Distribution Systems	20 to 75 years
Buildings & Building Improvements	20 to 40 years
Machinery & Equipment	3 to 10 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2005

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 – Effective April 1, 2004, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the City's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the City as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds, Debt Service Funds, Capital Project Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2005

In the body of the financial statements, the City actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the City Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the major Special Revenue Funds, Debt Service Funds, and Capital Project Funds are presented in the required supplemental information.

During the year ended March 31, 2005, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
<u>General Fund</u>			
City Hall & Grounds	\$ 55,750	\$ 63,339	\$ 7,589
Police Department	166,400	171,550	5,150
Department of Public Works	9,660	20,401	10,741
Parking Lot	1,400	2,094	694
Refuse Collection	35,080	40,830	5,750
Street Lighting	24,000	25,380	1,380
Capital Outlay	225,500	227,130	1,630
Debt Service	0	8,621	8,621
Community Promotion	22,000	30,913	8,913
<u>Local Streets</u>			
Routine Maintenance	19,600	23,268	3,668
<u>Cemetery Operations</u>			
Contractual Services	3,300	3,600	300
Repairs & Maintenance	475	748	273
<u>Park</u>			
Salaries & Wages	16,400	20,329	3,929
FICA Expense	120	438	318
Operating Supplies	4,000	4,493	493
Utilities	1,700	1,766	66
Transfers In (Out)	0	1,694	1,694

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary - Trust & Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	<u>\$ 1,121,387</u>	<u>\$ 40,332</u>	<u>\$ 90,233</u>	<u>\$ 1,251,952</u>

The City's deposits are in accordance with statutory authority. As of March 31, 2005, the balance sheet carrying amount of cash deposits was \$1,251,952. The bank balance as of March 31, 2005, was \$1,251,952, of which \$198,293 was covered by FDIC insurance.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2005

3. Cash and Investments - Continued

All cash deposits and investments of the City are held by the City in the City's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	(1)	(2)	(3)	Carrying Amount	Market Value
Risk Categorized	NONE	NONE	NONE	NONE	NONE
Total Risk-Categorized Investments					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the City or its agent in the City's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2005

4. Capital Assets

Capital Assets activity of the City's governmental activities (and business-type) was as follows:

	Balance April 1, 2004	Additions	Disposals & Adjustments	Balance March 31, 2005
Governmental Activities:				
Capital Assets not being Depreciated - Land	\$ 146,138	\$ 78,731	\$ 84,898	\$ 139,971
Capital Assets Being Depreciated:				
Infrastructure	231,788	-	-	231,788
General Government	250,652	-	-	250,652
Public Safety	45,615	30,340	-	75,955
Public Works	644,867	117,490	-	762,357
Total Capital Assets being Depreciated	1,172,922	147,830	-	1,320,752
Accumulated Depreciation:				
Infrastructure	37,037	7,726	-	44,763
General Government	156,022	6,156	-	162,178
Public Safety	27,227	7,197	-	34,424
Public Works	69,812	15,523	-	85,335
Total Accumulated Depreciation	290,098	36,602	-	326,700
Net Capital Assets	<u>\$ 1,028,962</u>	<u>\$ 189,959</u>	<u>\$ 84,898</u>	<u>\$ 1,134,023</u>
Business-type Activities:				
Capital Assets not being Depreciated - Land	\$ 25,857	\$ -	\$ -	\$ 25,857
Capital Assets Being Depreciated:				
Sewage Treatment Plant	793,117	-	-	793,117
Water Distribution System	1,359,601	18,151	-	1,377,752
Total Capital Assets being Depreciated	2,152,718	18,151	-	2,170,869
Accumulated Depreciation:				
Sewage Treatment Plant	391,075	19,683	-	410,758
Water Distribution System	768,256	40,422	-	808,678
Total Accumulated Depreciation	1,159,331	60,105	-	1,219,436
Net Capital Assets	<u>\$ 1,019,244</u>	<u>\$ (41,954)</u>	<u>\$ -</u>	<u>\$ 977,290</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 6,156
Public Safety	7,197
Public Works	23,249
Total Governmental Activities	<u>\$ 36,602</u>
Business-type Activities:	
Sewer Fund	\$ 19,683
Water Fund	40,422
Total Business-type Activities	<u>\$ 60,105</u>

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2005

5. Interfund Receivables, Payables, & Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
Payroll Fund	\$ 349	General Fund	\$ 349
Investment Fund	91,404	Water Fund	91,404
Investment Fund	607,668	General Fund	607,668
Investment Fund	9,128	Equipment Fund	9,128
Investment Fund	54,155	Major Street Fund	54,155
Investment Fund	65,986	Local Street Fund	65,986
Investment Fund	6,068	Cemetery Operating	6,068
Investment Fund	245,896	Sewer Fund	245,896
Investment Fund	<u>37,899</u>	Park Fund	<u>37,899</u>
Total	<u>\$ 1,118,553</u>		<u>\$ 1,118,553</u>

Interfund Transfers reported in the Fund Statements are as follows:

	<u>Transferred From</u>		<u>Transferred To</u>
Park Fund	\$ 1,694	Water Recreation Fund	\$ 1,694
Cemetery Perpetual Care Fund	2,032	Cemetery Operating Fund	2,032
Major Street Fund	12,600	Local Street Fund	12,600
General Fund	10,327	Water Fund	10,327
General Fund	19,400	Water Fund	19,400
Sewer Fund	4,000	Equipment Fund	4,000
Water Fund	<u>4,000</u>	Equipment Fund	<u>4,000</u>
Total	<u>\$ 54,053</u>		<u>\$ 54,053</u>

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2005

6. Long-Term Debt

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
General Obligation Bonds & Contracts						
Ford Motor Credit Company						
2005 Ford Crown Victoria						
Amount of Issue - \$24,651		\$7,819 -				
Maturing through 2008	5.00%	\$8,621	\$ 24,651	\$ (8,621)	\$ 16,030	\$ 7,819
General Obligation Bonds & Contracts						
USDA Rural Development Note Payable						
Purchased Six Acres						
Amount of Issue - \$70,000		\$6,000 -				
Maturing through 2014	4.75%	\$8,000	\$ 70,000	\$ 0	\$ 70,000	\$ 6,000
Total Governmental Activities			\$ 94,651	\$ (8,621)	\$ 86,030	\$ 13,819
Business-type Activities						
General Obligation Bonds & Contracts						
Series 2002 Sanilac Co. Brown City Water Tower						
Rehabilitation Project Bonds						
Amount of Issue - \$200,000						
Maturing through 2012	3.35%	\$20,000	\$ 160,000	\$ (20,000)	\$ 140,000	\$ 20,000
Total Business-type Activities			\$ 160,000	\$ (20,000)	\$ 140,000	\$ 20,000
Total Primary Government			\$ 254,651	\$ (28,621)	\$ 226,030	\$ 33,819

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

Years Ending March 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 13,819	\$ 4,126	\$ 17,945	\$ 20,000	\$ 4,690	\$ 24,690
2007	14,210	3,451	17,661	20,000	4,020	24,020
2008	6,000	2,755	8,755	20,000	3,350	23,350
2009	7,000	2,470	9,470	20,000	2,680	22,680
2010	7,000	2,138	9,138	20,000	2,010	22,010
2011-2014	38,000	5,557	43,557	40,000	2,010	42,010
Total	\$ 86,029	\$ 20,497	\$ 106,526	Total	\$ 140,000	\$ 158,760

8. Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The City has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2005

9. Downtown Development Authority (DDA)

The Downtown Development Authority was established by the City of Brown City Commission in accordance with Act 197 of PA 1975. Its purpose will be to serve the best interest of the public to halt property value deterioration and increase property tax valuation where possible in its business district, to eliminate the cause of the deterioration, and to promote economic growth. This purpose is accomplished by the Corporation entering into lease contracts with commercial enterprises. According to the terms of the lease contracts, the Corporation agrees to issue revenue bonds, the proceeds from which will be used to finance a project benefiting the commercial enterprise, and the commercial enterprise agrees to make lease payments equal to the bond principal and interest payments. When the bonds are paid in full, the ownership of the project is transferred to the commercial enterprise. The revenue bonds are payable solely from the net revenues derived from the project, and the bonds are collateralized by a mortgage on the project and the lease contract.

Since each bond issued by the Corporation is payable solely from the net revenues derived from the related project through lease payments, and since the bonds are not a general obligation of the Corporation, the bonds and related lease contracts have not been reflected in the financial statements of the Corporation.

As of March 31, 2005, the Corporation has issued revenue bonds, as described above. Following are details of the bond issues.

<u>Project</u>	<u>Amount of Revenue Date of Bond Closing</u>	<u>Bonds Issued</u>
Brown City Pharmacy	October 02, 1989	\$ 136,650
Great Reflections	June 06, 1992	89,694
Mr. Ed's/Pieters	August 01, 2000	92,965
Master Floor Covering	April 15, 2003	35,804
Total		<u>\$ 355,113</u>

Required Supplemental Information

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2005

<u>Revenues</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Taxes</u>				
Current Property Taxes	\$ 351,566.00	\$ 351,100.00	\$ 377,066.63	\$ 25,966.63
 <u>State Shared Revenues</u>	 174,700.00	 133,000.00	 162,294.00	 29,294.00
<u>Liquor Licenses</u>	1,160.00	1,230.00	1,225.95	(4.05)
<u>Charges for Services</u>				
Refuse Collection Fees	43,400.00	42,650.00	42,631.24	(18.76)
District Court & Public Hearing Fees	1,950.00	650.00	683.08	33.08
Collection Fees	9,495.00	10,800.00	10,645.48	(154.52)
 <u>Miscellaneous Revenues</u>				
Admin's Fees / Benefit Charges / Rentals	74,932.00	76,290.00	45,738.52	(30,551.48)
Franchise Fees	2,600.00	2,400.00	2,557.52	157.52
Grant Proceeds	117,490.00	117,500.00	134,782.75	17,282.75
Loan Proceeds	70,000.00	70,000.00	94,650.61	24,650.61
County Road Millage	37,500.00	42,000.00	41,180.27	(819.73)
Sale of Fixed Assets	800.00	1,500.00	1,499.00	(1.00)
Donations	2,800.00	3,335.00	3,333.20	(1.80)
Miscellaneous	5,700.00	1,620.00	1,007.49	(612.51)
 <u>Interest Earnings</u>	 9,000.00	 11,200.00	 11,241.04	 41.04
 <u>Total Revenues</u>	 <u>\$ 903,093.00</u>	 <u>\$ 865,275.00</u>	 <u>\$ 930,536.78</u>	 <u>\$ 65,261.78</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Expenditures</u>				
<u>General Government</u>				
Council	\$ 41,771.00	\$ 75,550.00	\$ 72,715.31	\$ 2,834.69
Mayor	1,800.00	1,800.00	1,300.00	500.00
City Manager	77,410.00	64,500.00	61,354.60	3,145.40
Elections	2,080.00	5,060.00	4,920.43	139.57
Assessor	8,650.00	8,200.00	8,034.22	165.78
Clerk	97,300.00	98,180.00	89,402.51	8,777.49
Board of Review	750.00	800.00	463.50	336.50
Treasurer	11,525.00	13,100.00	12,700.30	399.70
City Hall & Grounds	57,391.00	55,750.00	63,339.11	(7,589.11)
<u>Total General Government</u>	<u>298,677.00</u>	<u>322,940.00</u>	<u>314,229.98</u>	<u>8,710.02</u>
<u>Public Safety</u>				
Police Department	138,376.00	166,400.00	171,550.25	(5,150.25)
Fire Protection	25,191.00	25,200.00	25,190.85	9.15
<u>Total Public Safety</u>	<u>163,567.00</u>	<u>191,600.00</u>	<u>196,741.10</u>	<u>(5,141.10)</u>
<u>Public Works</u>				
Department of Public Works	19,262.00	9,660.00	20,400.58	(10,740.58)
Parking Lot	1,300.00	1,400.00	2,094.15	(694.15)
Sidewalks	24,750.00	10,100.00	10,068.43	31.57
Drains at Large	2,550.00	-	-	-
Refuse Collection	44,180.00	35,080.00	40,830.18	(5,750.18)
Library	3,050.00	3,050.00	-	3,050.00
Street Lighting	24,000.00	24,000.00	25,379.74	(1,379.74)
<u>Total Public Works</u>	<u>119,092.00</u>	<u>83,290.00</u>	<u>98,773.08</u>	<u>(15,483.08)</u>
<u>Capital Outlay</u>	<u>219,748.00</u>	<u>225,500.00</u>	<u>226,560.66</u>	<u>(1,060.66)</u>
<u>Debt Service - Principal</u>	<u>-</u>	<u>-</u>	<u>8,620.86</u>	<u>(8,620.86)</u>
<u>Other Functions</u>				
Community Promotion	22,550.00	22,000.00	30,912.94	(8,912.94)
Insurance, Bonds, & Fringe Benefits	68,740.00	70,350.00	52,197.01	18,152.99
<u>Total Other Functions</u>	<u>91,290.00</u>	<u>92,350.00</u>	<u>83,109.95</u>	<u>9,240.05</u>
<u>Total Expenditures</u>	<u>892,374.00</u>	<u>915,680.00</u>	<u>928,035.63</u>	<u>(3,734.77)</u>
<u>Excess of Revenues Over</u>				
<u>(Under) Expenditures</u>	<u>10,719.00</u>	<u>(50,405.00)</u>	<u>2,501.15</u>	<u>52,906.15</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	(23,400.00)	(30,300.00)	(29,727.00)	573.00
<u>Excess of Revenues & Other Sources Over</u>				
<u>(Under) Expenditures & Other Uses</u>	<u>(12,681.00)</u>	<u>(80,705.00)</u>	<u>(27,225.85)</u>	<u>53,479.15</u>
<u>Fund Balance - Beginning of Year</u>	<u>18,355.00</u>	<u>80,705.00</u>	<u>665,551.15</u>	<u>584,846.15</u>
<u>Fund Balance - End of Year</u>	<u>\$ 5,674.00</u>	<u>\$ -</u>	<u>\$ 638,325.30</u>	<u>\$ 638,325.30</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Major Street Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
State Shared Revenue - Gas & Weight Tax	\$ 64,000.00	\$ 66,750.00	\$ 72,220.85	\$ 5,470.85
State Trunk Line Maintenance	9,900.00	9,000.00	6,557.20	(2,442.80)
Interest Earnings	900.00	1,110.00	1,122.77	12.77
Miscellaneous	-	-	-	-
<u>Total Revenues</u>	<u>74,800.00</u>	<u>76,860.00</u>	<u>79,900.82</u>	<u>3,040.82</u>
<u>Expenditures</u>				
Routine Maintenance	20,850.00	15,650.00	14,140.34	1,509.66
Traffic Services	500.00	500.00	355.43	144.57
Snow & Ice Removal	10,500.00	10,500.00	7,335.32	3,164.68
Administration/Insurance	15,871.00	20,110.00	11,181.99	8,928.01
Trunk Line Maintenance	19,500.00	17,500.00	17,373.60	126.40
<u>Total Expenditures</u>	<u>67,221.00</u>	<u>64,260.00</u>	<u>50,386.68</u>	<u>13,873.32</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>7,579.00</u>	<u>12,600.00</u>	<u>29,514.14</u>	<u>16,914.14</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	(10,000.00)	(12,600.00)	(12,600.00)	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>(2,421.00)</u>	<u>-</u>	<u>16,914.14</u>	<u>16,914.14</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>37,280.49</u>	<u>37,280.49</u>
<u>Fund Balance - End of Year</u>	<u>\$ (2,421.00)</u>	<u>\$ -</u>	<u>\$ 54,194.63</u>	<u>\$ 54,194.63</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Local Street Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
State Shared Revenue - Gas & Weight Tax	\$ 25,500.00	\$ 24,000.00	\$ 26,293.07	\$ 2,293.07
Interest Earnings	900.00	1,100.00	1,206.94	106.94
Miscellaneous	-	4,200.00	4,190.64	(9.36)
<u>Total Revenues</u>	<u>26,400.00</u>	<u>29,300.00</u>	<u>31,690.65</u>	<u>2,390.65</u>
<u>Expenditures</u>				
Routine Maintenance	31,250.00	19,600.00	23,267.52	(3,667.52)
Traffic Services	200.00	500.00	299.67	200.33
Snow & Ice Removal	10,800.00	12,500.00	6,896.28	5,603.72
Administration/Insurance	8,860.00	9,300.00	8,609.04	690.96
<u>Total Expenditures</u>	<u>51,110.00</u>	<u>41,900.00</u>	<u>39,072.51</u>	<u>2,827.49</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(24,710.00)</u>	<u>(12,600.00)</u>	<u>(7,381.86)</u>	<u>5,218.14</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	11,558.00	12,600.00	12,600.00	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>(13,152.00)</u>	<u>-</u>	<u>5,218.14</u>	<u>5,218.14</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>60,856.26</u>	<u>60,856.26</u>
<u>Fund Balance - End of Year</u>	<u>\$ (13,152.00)</u>	<u>\$ -</u>	<u>\$ 66,074.40</u>	<u>\$ 66,074.40</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Police Forfeiture Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Fines & Forfeitures	\$ 205.00	\$ 205.00	\$ 2.00	\$ (203.00)
<u>Total Revenues</u>	<u>205.00</u>	<u>205.00</u>	<u>2.00</u>	<u>(203.00)</u>
<u>Expenditures</u>				
Supplies	205.00	205.00	-	205.00
<u>Total Expenditures</u>	<u>205.00</u>	<u>205.00</u>	<u>-</u>	<u>205.00</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>-</u>	<u>-</u>	<u>2.00</u>	<u>2.00</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over Expenditures & Other Uses</u>	<u>-</u>	<u>-</u>	<u>2.00</u>	<u>2.00</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>388.38</u>	<u>388.38</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 390.38</u>	<u>\$ 390.38</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Cemetery Operating Fund
For The Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Lot Sales	\$ 4,500.00	\$ 3,500.00	\$ 2,925.00	\$ (575.00)
Grave Openings	4,500.00	8,000.00	7,250.00	(750.00)
Interest Earnings	500.00	550.00	910.04	360.04
Other Revenue	200.00	200.00	157.00	(43.00)
<u>Total Revenues</u>	<u>9,700.00</u>	<u>12,250.00</u>	<u>11,242.04</u>	<u>(1,007.96)</u>
<u>Expenditures</u>				
Contractual Services	3,000.00	3,300.00	3,600.00	(300.00)
Administration Fees	675.00	670.00	669.00	1.00
Repairs & Maintenance	3,500.00	475.00	747.55	(272.55)
Operating Supplies	850.00	850.00	300.00	550.00
Equipment Rental	400.00	700.00	600.00	100.00
Grave Openings	2,500.00	5,200.00	5,050.00	150.00
Miscellaneous	700.00	3,855.00	157.00	3,698.00
<u>Total Expenditures</u>	<u>11,625.00</u>	<u>15,050.00</u>	<u>11,123.55</u>	<u>3,926.45</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(1,925.00)</u>	<u>(2,800.00)</u>	<u>118.49</u>	<u>2,918.49</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	<u>2,130.00</u>	<u>2,800.00</u>	<u>2,032.46</u>	<u>(767.54)</u>
<u>Excess of Revenues & Other Sources Over Expenditures & Other Uses</u>	<u>205.00</u>	<u>-</u>	<u>2,150.95</u>	<u>2,150.95</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>40,530.98</u>	<u>40,530.98</u>
<u>Fund Balance - End of Year</u>	<u>\$ 205.00</u>	<u>\$ -</u>	<u>\$ 42,681.93</u>	<u>\$ 42,681.93</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Downtown Development Authority
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Interest Earnings	\$ 10,475.00	\$ 3,160.00	\$ 2,649.13	\$ (510.87)
<u>Total Revenues</u>	<u>10,475.00</u>	<u>3,160.00</u>	<u>2,649.13</u>	<u>(510.87)</u>
<u>Expenditures</u>	<u>3,160.00</u>	<u>3,160.00</u>	<u>50.00</u>	<u>3,110.00</u>
<u>Total Expenditures</u>	<u>3,160.00</u>	<u>3,160.00</u>	<u>50.00</u>	<u>3,110.00</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	7,315.00	-	2,599.13	2,599.13
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over Expenditures & Other Uses</u>	7,315.00	-	2,599.13	2,599.13
<u>Fund Balance - Beginning of Year</u>	-	-	19,532.57	19,532.57
<u>Fund Balance - End of Year</u>	<u>\$ 7,315.00</u>	<u>\$ -</u>	<u>\$ 22,131.70</u>	<u>\$ 22,131.70</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Park Fund
For The Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Property Taxes	\$ 28,796.00	\$ 23,705.00	\$ 24,240.62	\$ 535.62
Contributions & Donations	3,500.00	5,200.00	7,414.42	2,214.42
Pavilion Rental	1,000.00	850.00	1,000.00	150.00
Miscellaneous	25.00	50.00	15.00	(35.00)
Interest Earnings	350.00	800.00	643.71	(156.29)
<u>Total Revenues</u>	<u>33,671.00</u>	<u>30,605.00</u>	<u>33,313.75</u>	<u>2,708.75</u>
<u>Expenditures</u>				
Salaries & Wages	16,850.00	16,400.00	20,329.25	(3,929.25)
FICA Expense	500.00	120.00	437.53	(317.53)
Operating Supplies	4,120.00	4,000.00	4,493.06	(493.06)
Utilities	1,600.00	1,700.00	1,766.19	(66.19)
Repairs & Maintenance	5,000.00	1,000.00	895.15	104.85
Equipment Rent	2,000.00	1,000.00	830.08	169.92
Insurance	1,700.00	1,300.00	1,256.00	44.00
Miscellaneous	875.00	3,085.00	698.96	2,386.04
Capital Outlay	2,000.00	2,000.00	-	2,000.00
<u>Total Expenditures</u>	<u>34,645.00</u>	<u>30,605.00</u>	<u>30,706.22</u>	<u>(101.22)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(974.00)</u>	<u>-</u>	<u>2,607.53</u>	<u>2,607.53</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	(1,694.01)	(1,694.01)
<u>Excess of Revenues & Other Sources Over Expenditures & Other Uses</u>	<u>(974.00)</u>	<u>-</u>	<u>913.52</u>	<u>913.52</u>
<u>Fund Balance - Beginning of Year</u>	<u>6,250.00</u>	<u>-</u>	<u>43,825.91</u>	<u>43,825.91</u>
<u>Fund Balance - End of Year</u>	<u>\$ 4,302.00</u>	<u>\$ -</u>	<u>\$ 45,652.95</u>	<u>\$ 45,652.95</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Water Recreation Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Interest Earnings	-	-	-	-
<u>Total Revenues</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Expenditures</u>				
Salaries & Wages	-	-	-	-
FICA Expense	-	-	-	-
Utilities	-	-	-	-
Insurance	-	-	-	-
Maintenance	-	-	-	-
<u>Total Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	1,694.01	1,694.01
<u>Excess of Revenues & Other Sources Over Expenditures & Other Uses</u>	<u>-</u>	<u>-</u>	<u>1,694.01</u>	<u>1,694.01</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>(1,694.01)</u>	<u>(1,694.01)</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Supplemental Information

City of Brown City
Other Supplemental Information
Combining Statement of Net Assets
Fiduciary Funds
March 31, 2005

	Pension & Other Trust Funds			Agency Funds		
	Cemetery Perpetual Care		Totals	Payroll Fund	Investment Fund	Totals
Assets	Expendable Trust	Nonexpendable Trust				
Cash - Savings & Certificates	\$ -	\$ 90,233.02	\$ 90,233.02	\$ 348.78	\$ 1,118,204.27	\$ 1,118,553.05
Due From Other Funds	-	-	-	-	-	-
<u>Total Assets</u>	<u>\$ -</u>	<u>\$ 90,233.02</u>	<u>\$ 90,233.02</u>	<u>\$ 348.78</u>	<u>\$ 1,118,204.27</u>	<u>\$ 1,118,553.05</u>

Liabilities & Net Assets

Liabilities

Due To:

Water	\$ -	\$ -	\$ -	\$ -	\$ 91,403.86	\$ 91,403.86
General	-	-	-	348.78	607,668.47	608,017.25
Motor Vehicle Equipment Pool	-	-	-	-	9,128.30	9,128.30
Major Street	-	-	-	-	54,155.23	54,155.23
Local Street	-	-	-	-	65,985.59	65,985.59
Cemetery Operating	-	-	-	-	6,068.06	6,068.06
Sewage Disposal System	-	-	-	-	245,895.80	245,895.80
Parks	-	-	-	-	37,898.96	37,898.96
Due To Other Governmental Units	-	-	-	-	-	-
<u>Total Liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 348.78</u>	<u>\$ 1,118,204.27</u>	<u>\$ 1,118,553.05</u>

Net Assets

Held in Trust for Cemetery Perpetual Care	-	90,233.02	90,233.02			
Unreserved - Undesignated	-	-	-			
<u>Total Net Assets</u>	<u>-</u>	<u>90,233.02</u>	<u>90,233.02</u>			
<u>Total Liabilities & Net Assets</u>	<u>\$ -</u>	<u>\$ 90,233.02</u>	<u>\$ 90,233.02</u>			

City of Brown City
Other Supplemental Information
Combining Statement of Changes in Net Assets
Fiduciary Funds
March 31, 2005

	Pension & Other Trust Funds		
	Cemetery Perpetual Care		
	Expendable Trust	Nonexpendable Trust	Totals
<u>Additions</u>			
Interest Income - Perpetual Care	\$ 2,032.46	\$ -	\$ 2,032.46
Sale of Lots - Perpetual Care	-	2,175.00	2,175.00
<u>Total Additions</u>	2,032.46	2,175.00	4,207.46
<u>Deductions</u>			
Contribution To (From) Other Funds	2,032.46	-	2,032.46
<u>Total Deductions</u>	2,032.46	-	2,032.46
<u>Net Increase</u>	-	2,175.00	2,175.00
<u>Net Assets - Beginning of Year</u>	-	88,058.02	88,058.02
<u>Net Assets - End of Year</u>	\$ -	\$ 90,233.02	\$ 90,233.02

City of Brown City
Other Supplemental Information
Schedule of Indebtedness
March 31, 2005

**Series 2002 Sanilac Co., Brown City Water Tower
Rehabilitation Project Bonds**

Dated: March 1, 2003
Original Issue: \$200,000

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2005	2004	
3.35%	3/1/2005	\$ -	\$ 20,000	\$ -
3.35%	3/1/2006	20,000	20,000	4,690
3.35%	3/1/2007	20,000	20,000	4,020
3.35%	3/1/2008	20,000	20,000	3,350
3.35%	3/1/2009	20,000	20,000	2,680
3.35%	3/1/2010	20,000	20,000	2,010
3.35%	3/1/2011	20,000	20,000	1,340
3.35%	3/1/2012	20,000	20,000	670
<u>Total Revenue Bonds</u>		<u>\$ 140,000</u>	<u>\$ 160,000</u>	<u>\$ 18,760</u>

**U.S. Department of Agriculture Rural Development
Used to Purchase the East Six Acres of Industrial Park**

Dated: September 30, 2004
Original Issue: \$70,000

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2005	2004	
4.75%	5/1/2005	\$ 6,000	\$ -	\$ 3,325
4.75%	5/1/2006	6,000	-	3,040
4.75%	5/1/2007	6,000	-	2,755
4.75%	5/1/2008	7,000	-	2,470
4.75%	5/1/2009	7,000	-	2,138
4.75%	5/1/2010	7,000	-	1,805
4.75%	5/1/2011	7,000	-	1,472
4.75%	5/1/2012	8,000	-	1,140
4.75%	5/1/2013	8,000	-	760
4.75%	5/1/2014	8,000	-	380
<u>Total Note Payable</u>		<u>\$ 70,000</u>	<u>\$ -</u>	<u>\$ 19,285</u>

**Ford Motor Credit Company
2005 Ford Crown Victoria**

Dated: February 14, 2005
Original Issue: \$24,651

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2005	2004	
5.00%	2/14/2005	\$ -	\$ -	\$ -
5.00%	2/14/2006	7,819	-	801
5.00%	2/14/2007	8,210	-	411
<u>Total Note Payable</u>		<u>\$ 16,029</u>	<u>\$ -</u>	<u>\$ 1,212</u>
<u>Total Revenue Bonds & Notes Payable</u>		<u>\$ 226,029</u>	<u>\$ 160,000</u>	<u>\$ 39,257</u>

City of Brown City

Overall Fund Rating
March 31, 2005

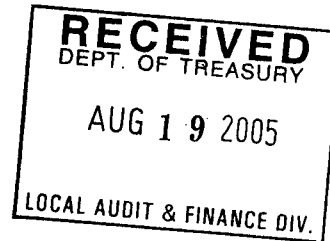
Fund	Rating	March 31,			
		2005	2004	2003	
General	Very Good				
Unreserved		\$ 340,435	\$ 414,275	\$ 502,218	The Unreserved General Fund balance has decreased over the past two years from \$502,218 to \$340,435 as of March 31, 2005. One of the main reasons the balance decreased by \$73,840 last year was because the City purchased \$70,000 of land. However, the City must be aware that the Fund Balance has decreased and it is important to monitor the budget.
Police Car		327	321	12,221	
Unemployment		8,996	8,826	8,691	
Streets		35,275	34,607	69,035	
Cable Equip		26,296	25,834	25,439	
County Rd Millage		200,919	156,104	114,482	
Sidewalks		26,077	25,584	25,193	
Total General		\$ 638,325	\$ 665,551	\$ 757,279	The General Fund purchased six acres of land for \$70,000.
Major Streets	Good	54,195	37,882	75,162	Should be able to meet current expenditures during 05/06 fiscal year and limited major street improvements with fund balance.
Local Streets	Good	66,074	60,856	68,296	Should be able to meet current expenditures during 05/06 fiscal year and limited local improvements with fund balance.
Cemetery Operating	Very Good	42,682	40,531	43,727	Cemetery continues to be in very good financial condition.
Park & Recreation	Very Good	44,739	43,826	39,808	Parks & Recreation continues to be in good financial condition.
Downtown Develop. Auth.	Good	22,132	19,533	18,202	
Water Supply System	Good	107,137	94,629	121,854	Water rates are adequate to maintain current operations, exclusive of major repairs and/or improvements to the water system. Approximately \$18,000 of cash was used to finish the construction of the Arsenic building
Sewage Disposal System	Very Good	286,399	275,291	273,048	Sewer rates appear adequate to maintain current operations, exclusive of major repairs and/or improvements. Adequate cash reserves to undertake Sewer Improvement Projects.
Equipment Pool	Good	9,138	15,612	8,263	Equipment Fund purchased a 1999 Ford F150 pickup for \$12,063. Any equipment purchases during the 05/06 fiscal year will need to be financed, unless the financial resources of the General Fund are utilized.

LEHN L. KING

CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580



June 1, 2005

The Honorable Mayor and
Members of the City Council
City of Brown City, Michigan

In accordance with your request, I have made an examination of the financial statements of the City of Brown City for the fiscal year ended March 31, 2005. During the course of my examination, the following material item has come to my attention:

1. Per P.A. 621 of 1968, the board does not have authorization to spend money that exceeds the budget. The budget must be amended prior to it being exceeded. Amendments to the budget must be detailed as to the increase and decrease amount of each line item being changed.

From an overall viewpoint, the books and records maintained by the City Accounting Staff are in good order. I thank the City officials and employees for the cooperation I received in the completion of this examination.

If I can be of any assistance or should any questions arise, please contact me.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant